Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Utility | Market: DFM

National Central Cooling Company (Tabreed)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.29	AED 3.65	+59%	BUY

3Q26 Net Profit higher than our estimate

- Revenue increased 3.9% YOY to AED 787 Mn in 3Q26, driven by increase in revenue from Supply of Chilled Water and Value Chain segment.
- Gross profit increased 2.6% YOY to AED 293 Mn in 3Q26, while gross profit margin contracted 45 bps YOY to 37.2% in 3Q26, primarily due to higher O&M and personnel costs, partly offset by efficiency gains and revenue growth.
- Administrative and other expenses increased 30.2% YOY to AED 79 Mn in 3Q26.
- EBITDA declined marginally 0.8% YOY to AED 340 Mn in 3Q26, with EBITDA margin contracting 203 bps YOY to 43.2% in 3Q26.
- Operating profit declined 4.8% YOY to AED 214 Mn in 3Q26, while operating profit margin contracted 248 bps YOY to 27.2% in 3Q26, primarily due to higher administrative and other expenses.
- Finance costs increased 7.6% YOY to AED 75 Mn in 3Q26, while finance income declined 45.9% YOY to AED 5 Mn in 3Q26.
- Other gains and losses recorded a positive AED 2 Mn in 3Q26, compared to a loss of AED 4 Mn in 3Q25.
- Share of results from associates and joint ventures remained stable at AED 9 Mn in 3Q26, compared to 3Q25.
- Income tax expense declined 12.4% YOY to AED 13 Mn in 3Q26. Meanwhile, the share of non-controlling interest increased 40.0% YOY to AED 13 Mn in 3Q26 from AED 9 Mn in 3Q25.
- Net profit attributable to equity shareholders declined 11.1% YOY to AED 128 Mn in 3Q26, higher than our estimate of AED 121 Mn. The decline was primarily driven by higher operating cost, administrative and other expenses, finance costs, and a higher share of non-controlling interest coupled with lower finance income. This was partly offset by higher revenue and positive other gains coupled with lower tax expenses.

Earnings Call Summary

- Total connected cooling capacity increased by 15.2% YOY to 1.59 Mn RT during 9M26, primarily driven by the addition of c. 190K RT through the PAL Cooling acquisition and 20K RT of organic capacity additions over the last 12 months.
- Organic capacity additions remained slower during 1H26 due to the timing of customer construction activities, project handovers and connection schedules. However, the pace of additions improved in Q3 as some of the delayed customer connections progressed.
- Cooling consumption reached c. 1.03 Bn RTH during 9M26, increasing by around 3.1% YOY, with nine-month volumes slightly above the previous year's level. Consumption was relatively soft during 2Q26 due to weather and hospitality-sector weakness, before improving in 3Q26.
- Revenue increased by 3.9% YOY to AED 787 Mn in 3Q26, with consumption providing the largest contribution to growth due to more favourable weather conditions during the peak summer season. The Value chain business also supported growth through higher billing and collection services and project-based contracts.
- The contribution from joint ventures and associates remained below the previous year during 9M26, however, 3Q26 performance was broadly in line with the corresponding period last year, reducing the negative YOY impact.
- Higher financing costs continued to weigh on profitability, although their incremental YOY impact is gradually moderating as the comparative base becomes more aligned. Refinancing was completed at the

end of 1Q25, while acquisition funding was raised towards the end of the third quarter. Consequently, an increasing proportion of these financing costs is now reflected in both 3Q25 and 3Q26.

- PAL Cooling's contribution is gradually improving, with the Company highlighting better performance across the portfolio. It expects the acquisition to support future earnings as customer connections and utilization increase.
- PAL Cooling is a strategic investment that is also expected to generate returns and create shareholder value, with the business expected to reach the desired level of returns within the next two to three years at maximum.
- Tabreed continues to evaluate growth opportunities across existing concessions, greenfield projects and potential acquisitions, with investments assessed based on expected returns over their full lifecycle. The Company also intends to use project financing, partnerships and phased capital deployment to maintain financial flexibility.
- The Company expects organic capacity growth of c. 1% in 2026, while maintaining its medium-term growth guidance of 3-5% p.a. for 2027-28, supported by opportunities within existing concessions and customer projects.
- Organic capex guidance remains at AED 200-300 Mn p.a., reflecting the Company's identified investment programme. It highlighted that additional uncommitted projects are excluded from the current guidance and will be incorporated if they progress sufficiently.
- EBITDA margin guidance remains at c. 50%, reflecting the current portfolio mix and normalized operating cost base.
- Tabreed reiterated its focus on executing the secured growth pipeline, converting concession capacity into customer connections, optimizing the expanded portfolio, particularly PAL Cooling, and improving utilization across its assets.
- Tabreed paid an interim cash dividend of 5.0 fils per share for 1H26. It highlighted that the reduction from 6.5 fils per share in 1H25 was intended to preserve financial flexibility for future growth investments and potential opportunities while balancing shareholder returns and maintaining its investment-grade credit profile.

Tabreed - P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Revenue	757	642	787	749	5.0%	3.9%	22.5%
Operating costs	-472	-356	-494	-468	5.5%	4.6%	38.7%
Gross profit	**285**	**286**	**293**	**281**	**4.3%**	**2.6%**	**2.4%**
Administrative and other expenses	-61	-81	-79	-79	0.5%	30.2%	-3.0%
EBITDA	**342**	**330**	**340**	**322**	**5.4%**	**-0.8%**	**2.8%**
Operating profit	**225**	**205**	**214**	**202**	**5.7%**	**-4.8%**	**4.5%**
Finance costs	-70	-76	-75	-76	-1.5%	7.6%	-0.8%
Finance income	9	5	5	3	NM	-45.9%	-4.4%
Other gains and losses	-4	-2	2	3	-39.2%	NM	NM
Share of associates & JV	9	5	9	7	22.6%	0.7%	NM
Profit before tax	**168**	**137**	**154**	**139**	**10.9%**	**-8.5%**	**12.2%**
Tax expense	-15	-14	-13	-12	7.6%	-12.4%	-8.6%
Profit before NCI	**153**	**123**	**141**	**127**	**11.2%**	**-8.1%**	**14.5%**
Non-controlling interest	9	9	13	6	NM	40.0%	35.9%
Net profit attributable to shareholders	**144**	**114**	**128**	**121**	**5.8%**	**-11.1%**	**45.4%**

FABS estimate & Co Data

Management Guidance:



Note: [1]Capacity guidance is for organic growth, capacity additions may vary between periods depending on customer construction, handover and connection schedules. [2]Excludes potential uncommitted projects; guidance will be updated where material opportunities are sufficiently progressed

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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